



FISCAL MEMORANDUM

HB 142 - SB 751

March 16, 2021

SUMMARY OF ORIGINAL BILL: Requires certain investigative records and information of the Department of Human Services (DHS) be confidential during the course of an investigation. Establishes a violation of this is a Class B misdemeanor.

Increases fines, from between \$1,000 and \$5,000 to between \$2,500 and \$10,000, for fraudulently obtaining temporary cash or food assistance of \$100 or more if the fraud is perpetrated by willfully false impersonation, assumption of a false identity, or presentation of a false identification.

Eliminates Families First Councils in each county of the state, and replaces the initiative with Families First Community Advisory meetings to be held in each of the three grand divisions at least twice annually. Requires the DHS publish on its website the agenda and meeting minutes for each meeting.

Creates a two-year pilot program that establishes an optional alternative pathway for enhanced temporary cash assistance or educational support services for families with individuals who are pursuing an educational advancement. Requires the annual cost of the program to not exceed the amount of the state's annual federal Temporary Assistance for Needy Families (TANF) block grant award. Terminates the pilot program two years from the effective date of the first rule promulgated for its operation.

Increases the maximum standard grant award for the temporary assistance program to no less than 25 percent of the standard of need.

FISCAL IMPACT OF ORIGINAL BILL:

Other Fiscal Impact - Increasing the maximum standard grant award for eligible Temporary Assistance for Needy Families (TANF) recipients to no less than 25 percent and offering enhanced assistance to a small number of recipients participating in the pilot program will increase federal TANF expenditures to the Department of Human Services (DHS) by an amount exceeding \$24,000,000 in FY21-22 and subsequent years. These expenditures can be absorbed within DHS's existing TANF block grant funds. To the extent other legislation is enacted utilizing such funding, DHS may experience an increase in state expenditures. The extent and timing of any additional fiscal impact to DHS cannot be reasonably determined.

SUMMARY OF AMENDMENT (004527): Deletes and replaces all language after the enacting clause.

Requires certain investigative records and information of the Department of Human Services (DHS) be confidential during the course of an investigation. Establishes a violation of this is a Class B misdemeanor.

Increases fines, from between \$1,000 and \$5,000 to between \$2,500 and \$10,000, for fraudulently obtaining temporary cash or food assistance of \$100 or more if the fraud is perpetrated by willfully false impersonation, assumption of a false identity, or presentation of a false identification.

Requires DHS to award community grants in amounts not to exceed \$50,000,000 from the Department's existing surplus reserve of Temporary Assistance for Needy Families (TANF) funds to nonprofit organizations and other qualified entities, distributed proportionally across the three grand divisions of the state to the extent possible, for programs to provide services to families and individuals eligible for the TANF program.

Requires DHS to dedicate \$182,000,000 from the Department's existing surplus reserve of TANF funds to establish three-year Tennessee Opportunity Pilot Programs (Pilots) in six communities, and one Pilot administered by DHS, with the goal of demonstrating the efficacy of well-implemented two-generation approaches to improving education, health, and economic outcomes. Requires DHS to initially award planning grants from these funds to no more than 50 applicants, and to select six grantees from those applicants to receive the full Pilot funding of up to a total of \$25,000,000 each over three years. Requires DHS to select and fund a research partner or partners that will support the research and evaluation of the Pilots.

Creates a Families First Community Advisory Board (Board) to: (1) advise DHS on the approval and retention of a research partner(s); (2) review and advise DHS on the selection of the Pilots' recipients of planning and implementation grants; (3) provide input regarding the effectiveness of existing Families First and two-generation program policies and grant programs, and; (4) make recommendations regarding the development of new or revised policies for those programs. Requires the Board to submit a final report to the General Assembly by December 31, 2025, to include the Board's findings from the Pilot, recommendations for future TANF program spending in this state, and suggested legislation needed to support those recommendations.

Requires, at the beginning of federal fiscal year 2022, DHS to ensure that a rainy-day fund of the existing federal surplus reserve TANF funds in an amount not to exceed the annual TANF block grant amount remains unobligated in order to address unforeseen future economic needs, including those related to a declared state emergency or a statewide economic downturn. Requires DHS to seek to replenish any funds expended from the rainy-day fund in the following fiscal year or as soon as the funds are available.

Authorizes DHS to set aside \$54,000,000 of TANF funds to address potential expenditures related to the amendment to the existing TennCare II waiver pending its approval by the federal Centers for Medicare and Medicaid Services.

Requires, in the 12-month period following the end of each federal fiscal year, DHS to spend or obligate 100 percent of unobligated TANF funds that are not allocated to the Department's administrative overhead costs, that are not part of the newly created state reserve, that are not dedicated to the Pilots, that are not used for the Department's cash assistance program, and that are not used on a program or service deemed necessary by DHS. Requires, to the extent possible, the grants to be distributed across the state's 95 counties proportionally to each county's percentage share of children living in households with incomes at or below the federal poverty level as confirmed by the Comptroller of the Treasury.

Creates a two-year pilot program that establishes an optional alternative pathway for enhanced temporary cash assistance or educational support services for families with individuals who are pursuing an educational advancement. Requires the annual cost of the program to not exceed the amount of the state's annual federal TANF block grant award. Terminates the pilot program two years from the effective date of the first rule promulgated for its operation.

Increases the maximum standard grant award for the temporary assistance program to no less than 25 percent of the standard of need. Requires DHS to conduct a study or engage with a research partner to study the impact and effectiveness of the increase.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Increase State Expenditures - \$210,100/FY21-22

\$10,100/Each Year FY22-23 through FY24-25

\$5,900/FY25-26

Other Fiscal Impact - A recurring increase in federal Temporary Assistance for Needy Families (TANF) expenditures from the annual TANF block grant for the Department of Human Services (DHS) of approximately \$101,261,300 in FY21-22 and subsequent years.

A one-time increase in federal TANF expenditures for DHS from its existing surplus TANF reserve fund of \$286,000,000 will be required to fund the proposed pilot program (\$182,000,000), community grants (\$50,000,000), and TennCare II waiver, if necessary (\$54,000,000). DHS will allocate \$191,000,000 from the existing surplus TANF reserve fund for rainy-day purposes.

It is estimated that these expenditures can currently be absorbed within DHS's existing TANF block grant and reserve funds. However, to the extent other legislation is enacted that utilizes such funding, DHS may experience an increase in state expenditures to meet the requirements of this legislation. The extent and

timing of any such increases are dependent upon future events and are unknown at this time.

Assumptions for the bill as amended:

Assumptions relative to DHS investigations and assistance fraud:

- According to information provided by the Administrative Office of the Courts, in the past three years, there were zero convictions for cash assistance fraud and an average of 10 convictions for food assistance fraud. Based on the Fiscal Review Committee's 2008 study and the Administrative Office of the Courts' 2012 study on collection of court costs, fees, and fines, collection in criminal cases is insignificant. Any increase in state revenue as a result of the increased fines for these offenses is estimated to be not significant.
- There will not be a sufficient number of Class B misdemeanor prosecutions for state or local government to experience any significant increase in revenue or expenditures.

Assumptions relative to the two-year alternative pathway pilot and increasing the maximum standard of need:

- The number of eligible recipients participating in the two-year pilot program, and the amount of temporary assistance that will be awarded to those recipients is unknown. DHS estimates the increase in expenditures can be absorbed within existing TANF resources.
- Based on information provided by DHS, increasing the maximum standard grant award in the temporary assistance program will result in an increase in TANF expenditures of approximately \$24,000,000 in FY21-22 and subsequent years.
- The current projected annualized expenditures for temporary assistance in FY20-21 is \$51,744,240. The FY20-21 budget for this program is \$102,965,500. It is assumed these numbers will remain constant in FY21-22 and subsequent years. Therefore, the increase in expenditures of approximately \$24,000,000 in FY21-22 and subsequent years is estimated to be absorbed within existing TANF resources.
- It is assumed DHS will conduct the study of the effects of the increase in the maximum standard grant award internally, and will do so utilizing existing Department resources.

Assumptions relative to allocating TANF funds:

- The recurring annual amount the state receives from the federal government per the TANF block grant is approximately \$191,000,000. Additionally, DHS has the authority to draw from TANF reserve funds. As of September 30, 2020, the balance of the TANF reserve funds, was approximately \$735,800,000.
- Pursuant to the proposed legislation, DHS is required to dedicate \$232,000,000 (\$50,000,000 community grants + \$182,000,000 Pilots) from the existing surplus TANF reserve funds for the purposes of providing community grants and planning and implementing the Pilot programs.

- Therefore, a one-time increase in federal TANF expenditures from the existing surplus TANF reserve of \$232,000,000 in FY21-22.
- Pursuant to section 71-5-1204(a) of the proposed legislation, DHS shall ensure that an amount not to exceed approximately \$191,000,000 of the existing surplus TANF reserve fund remains unobligated for the purposes of a rainy-day fund.
- Section 71-5-1204(d) of the proposed legislation requires DHS, in the 12-month period following the end of each federal fiscal year, to annually spend or obligate 100 percent of unobligated TANF funds.
- Based on information provided by DHS, the average total annual TANF expenditures from the block grant over the three previous fiscal years was \$89,738,732.
- Therefore, a recurring increase in federal TANF expenditures from the annual TANF block grant is estimated to be \$101,261,268 (\$191,000,000 - \$89,738,732) in FY21-22 and subsequent years. This recurring expenditure includes the recurring funding of \$24,000,000 associated with increasing the maximum standard grant award.
- Pursuant to section 71-5-1204(c) of the proposed legislation, DHS is authorized to set aside \$54,000,000, presumably from the existing surplus TANF reserve fund, for the purposes of executing the pending amendment to the TennCare II waiver.
- The total increase in federal TANF expenditures from the existing surplus TANF reserve fund is \$286,000,000 (\$232,000,000 + \$54,000,000).
- It is estimated that these expenditures can currently be absorbed within DHS's existing TANF block grant and reserve funds. However, to the extent other legislation is enacted that utilizes such funding, DHS may experience an increase in state expenditures to meet the requirements of this legislation. The extent and timing of any additional fiscal impact to the DHS, if any, are unknown and cannot be reasonably determined.

Assumptions relative to the State Impact:

- The Board will consist of four legislative members, five state department heads, and twelve non-legislative members, for a total of 21 members.
- Legislative members of the Board are to be reimbursed as members of the General Assembly and paid for attending legislative meetings. Other members shall not receive compensation for service, but will be reimbursed for any travel expenses incurred for attending meetings, except for the five state department heads, who will attend board meetings in the course of their regular business. Therefore, 12 non-legislative members will be reimbursed for travel expenses.
- The Board will meet at least monthly until May 1, 2022, and at least quarterly thereafter.
- Meetings may be held virtually. It is assumed that most meetings will be held virtually, and that the Board will meet in person once per quarter.
- The Board will meet by September 1, 2021, and will remain active until December 31, 2025. Therefore, four meetings in each FY21-22, through FY24-25 and two meetings in FY25-26, for a total of 18 in-person meetings.
- The General Assembly will be in session at the time of four quarterly meetings.
- Legislative members will receive per diem of \$295 per day. All members except for the state department heads will receive \$0.47 per mile roundtrip; the average miles travelled per member is estimated to be 234 miles roundtrip.

- The average mileage reimbursement per member for each meeting is estimated to be \$110 (\$0.47 x 234 miles).
- The total cost per legislative member for each meeting is estimated to be \$405 (\$295 per diem + \$110 mileage).
- The total cost for four legislative members to attend 3 meetings in each FY21-22 through FY24-25 is estimated to be \$4,860 (\$405 x 4 members x 3 meetings).
- The total cost for 12 non-legislative members to attend 4 meetings in each FY21-22 through FY24-25 is estimated to be \$5,280 (\$110 x 12 members x 4 meetings).
- The total cost for four legislative members to attend two meetings in FY25-26 is estimated to be \$3,240 (\$405 x 4 members x 2 meetings).
- The total cost for 12 non-legislative members to attend two meetings in FY25-26 is estimated to be \$2,640 (\$110 x 12 members x 2 meetings).
- The total increase in state expenditures associated with the Board is estimated to be \$10,140 (\$4,860 + \$5,280) in each FY21-22 through FY24-25.
- The total increase in state expenditures associated with the Board is estimated to be \$5,880 (\$3,240 + \$2,640) in FY25-26.
- The precise costs to enlist at least one research partner is unknown. However, it is reasonably assumed DHS will contract with a research partner to meet the provisions of the proposed legislation.
- The one-time increase in state expenditures is estimated to be \$200,000 in FY21-22.
- The total increase in state expenditures is estimated to be \$210,140 (\$10,140 + \$200,000) in FY21-22.
- The total increase in state expenditures is estimated to be \$10,140 in FY22-23 through FY24-25.
- The total increase in state expenditures is estimated to be \$5,880 in FY25-26.
- Any increase in expenditures to the Board to compile and submit the annual report will be not significant.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

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